

Payment for new technologies in prospective payment systems

ISSUE: New medical technologies can improve clinical outcomes and quality of care. They are also considered a major source of escalating health care costs. Medicare has a responsibility to pay adequately for beneficial new technologies, but must also ensure that it is a prudent purchaser. These two goals are not always easily accomplished. The Medicare program integrates new technologies into prospective payment systems through numerous mechanisms.

KEY POINTS: In order to further the program's ability to achieve the goals of ensuring beneficiaries' access to beneficial new technologies and being a prudent purchaser, we pose a number of questions:

- What do we mean by new technologies?
- How are new technologies brought into prospective payment systems? Are the costs of different types of new technologies captured by separate payment mechanisms, such as new procedure codes, pass-through payments, update decisions?
- How does Medicare currently pay for new technologies? What approaches have been taken by other payers? Could they be applicable to Medicare? When designing a payment mechanism for new technology, what elements need to be considered?

The briefing materials include a draft chapter outline based on these questions. Two other documents are also attached. The first is the report of a structured interview survey of other larger payers on their approaches to paying for new technology (results were presented in September). The second is a summary of the finding from an expert panel that considered the issues and constraints Medicare faces in paying for new technology and explored options for policymakers to consider. At the meeting, we will present the chapter outline and the findings from the expert panel.

ACTION: Staff would appreciate feedback on the draft chapter outline and the findings from the expert panel. Are there issues that have not been considered that should be added? How should the discussion be focused? A chapter on Medicare payment for new technology is planned for the March 2003 report.

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